

A CRITICAL ANALYSIS OF THE "BRAINDRAIN PROBLEM"

FROM HUMAN RESOURCES PERSPECTIVE

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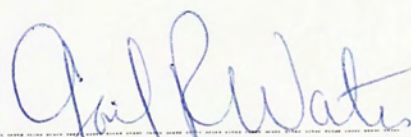
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CHAPTER ONE

INTRODUCTION

With the coming of 1997, the problem of emigration becomes more and more serious in Hong Kong. There will be about 48,000 Hong Kong people emigrating this year, compared to an average of about 20,000 in 1980's. Almost half of the emigrants are well educated and coming from professional groups. Their emigration created a significant problem for the business community of Hong Kong and we call it the "Braindrain".

Recently, there has been more and more discussion about this phenomenon and the Hong Kong government also has openly admitted that it has recognised the importance and seriousness of this problem. However, the government respects the choice of Hong Kong citizens. They may leave Hong Kong as long as other countries accept them. Therefore, what the government can do is to maintain the confidence of Hong Kong people. However, recent moves of the British government, such as, the amendment of the Ordinance about nationality which totally excludes the possibility of Hong Kong people to living in Britain, has disappointed Hong Kong people greatly. Besides, the British government's attitude on the vietnam refugees in Hong Kong has shown signs of withdrawal from Hong Kong.

About the China government, the recent anti-bourgeois liberalism and the step down of Mr Hu Yao Bong has caused Hong Kong people to think that the China Government is still conservative and the political structure is still man-dominated rather than institutional dominated and there is no safeguard for democracy after 1997. It seems that the Hong Kong government has become quite helpless in doing anything to improve the confidence of Hong Kong people. Therefore the government , in facing the problem, has only intended to have more subsidies on the International Schools in Hong Kong.

In the private sector, the fundamental problem of braindrain is centred on the very high turnover rate in the middle management level. As we know, for top management level the opportunity costs for emigration is too high while for the very low management level, such as, supervisor, they are both unqualified in knowledge and wealth to emigrate. So there are at least three specific characteristics for this high turnover rate that makes it different from the normal or usual turnover problem:

- (1) The loss is mainly limited to the middle management levels
- (2) Seeking a foreign passport is more important than pay level or other fringe benefits.
- (3) Increasing pay levels or giving promotions are not so effective as before to reduce turnover.

Among all the industries in the private sector, the banking and finance industry is the one most seriously affected. Therefore, it is in our interest to look into

this problem from a human resource perspective. Indeed this increasing problem has been a very great challenge to human resource departments.

Objectives:

Our underlying assumption is that there should exist some methods or strategies that are useful in relieving the impacts brought on by this problem. Actually, from our interview with a number of managers of human resources departments, a lot of packages and surveys have been done to reduce the turnover brought by braindrain. However, there is little evaluation about the effectiveness of these methods. An a successful evaluation will certainly increase the efficiency of resource usage we therefore propose our study objectives as: "to find out relative effectiveness of the various methods employed by the human resources department in solving the high turnover brought by braindrain"

Our study is divided into several stages:

Stage One:

To study some background information and literature about braindrain. As you know, the braindrain problem is quite peculiar and little literatures has covered this topic. Therefore, we will try to use more updated information from newspapers.

Stage Two:

To have interviews with human resources departments of the banking industry. The major objectives of these interviews are to obtain the following information:

- (1) To enhance the understanding of the important impacts of braindrain on the banking industry and try to group these problems systematically into different categories for analysis.
- (2) To learn more about how the human resource departments deal with this problem both on long-term and short-term basis.
- (3) To get the opinions from human resource departments about the effectiveness of different methods employed in (2).

Stage Three:

From the information we obtained from the interviews and the literature, we will design a questionnaire which aims at finding out the effectiveness of various methods employed. The respondents are those middle level management staffs who have the highest probability or potential of emigration.

Stage Four:

We will collect and integrate data from the questionnaires and try to identify or factor out any methods that are comparatively more effective.

CHAPTER TWO

LITERATURE SEARCH

According to some studies, we find that this phenomenon is not a new one. We can refer to a definition made by a UNESCO report in 1968.

"the braindrain would be defined as an abnormal form of scientific exchange between countries, characterised by a one-way migrating flow in favour of the most highly developed countries. The root cause of this process lies in the fact that countries of different stages of scientific and technological development have correspondingly different technical manpower requirements, Its more immediate cause is the receiving countries' wish to require intellectual capital as quickly and as cheaply as possible. This leads them to encourage selective immigration in various ways" (UNESCO SC/WS/57. Preliminary report. Paris. 1968. p45).

Here we need to clarify the difference between braindrain and migration. According to G.Beijer, the Dutch demographer, who has given a precise definition: " Migration = generally movement of person involving a permanent change of residence. Migrant = generally a person who moves his residence, either during emigration, immigration or international migration". It is clear from this definition that , on the one hand, braindrain can only be a very special case of migration, and on the other hand,

migration is only one of the element of braindrain, even from the most formal point of view.

In the following, the main criteria of braindrain can be examined from as four problems.

1. As a political problem

When the best of professional manpower leave their home country and settle in a more developed one, it is a political phenomenon, but, it only rarely occurs that the motives are exclusively political. As a phenomenon, it expresses the internal difficulties of the country left behind as well as the intensity of international competition, a struggle waged by unequal forces. It simultaneously indicates the lack of production and the overproduction of professional manpower in the drained country. In this sense, braindrain is a symptomatic phenomenon, but at the source time it is one of the internal difficulties as well. To some extent it has an objective basis. The attractions of a more developed country compared with those of less developed ones have always existed in the course of history. The objective effect assumes a political character as a result of world wide polarization due to power relations. In this process, the well developed countries like US and UK becomes the place of destination. The net effect of this is that the development of science and technology has been accelerated in these countries and has been slowed down in the drained countries.

2. As a economic problem

The economic aspect of braindrain cannot be divorced from the political aspect. Fundamentally, the braindrain arises from the disproportionate economic, technological and scientific development of the developed and the developing countries. Therefore it creates contradictions in the training of professional manpower and the ability to satisfy the social demand for this group. It is characteristic of braindrain that the more underdeveloped the country is economically, the more its loss by braindrain, while only the developed countries profit from the process. The whole process occurs through a complicated interplay of "push" and "pull" factors. For such factors, the drained countries are lacking a good education system as well as the absence of a manpower policy. The deficiencies naturally hinder efficient use of those qualified as well as those having talent. Pull factors, they are the high living standards and better research and working opportunities of the more developed country, which provide thousands of possibilities for developing human potential. Besides these, the braindrain is also stimulated by the actually realized intention of the developed countries to acquire intellectual capital free, and as quickly as possible.

3. As a social movement

The main flow of braindrain as a change of domicile starts from the underdeveloped countries towards the developed ones, especially to the most developed capitalist country, the US and Canada. There are a large number of

qualified manpower moves from a small number of developing countries to the developed ones. Besides, the trend in braindrain points towards high qualifications, ie, the higher the qualification, the greater its weight in total emigration, in other words, it is selective to higher qualification. This is supported also by the new skill - intensive immigration laws.

4. As regarding the position of the individual

Braindrain as a whole is the movement of highly trained personnel who expresses their dissatisfaction of their home countries. When we speak of braindrain, it is a fundamental criteria that the individual leaves his home country against the fundamental intention of that country. In practice, it is difficult for braindrain to be stopped by administrative measures (eg by travel or visa restrictions). Besides, from the viewpoint of individual, they should possess the rights of freedom to change the place of residence according to the Declaration of Human Rights.

Another important point in examining the problem from the aspect of individual is the question of how to judge the way of acquiring and using a given qualification. The basic case is when someone acquires his qualification at home but uses it abroad. It is different when the qualification is both acquired and used abroad, for in this case we can only speak of braindrain if the country expects that he should return after acquiring the qualification to fill a vacuum in his profession.

A. Reasons for emigration

About the reasons for emigration, we can refer to the following figure:

REASONS FOR EMIGRATION		
REASONS	No	%
Lack of confidence in HK's future	21	52
Concern for the next generation	11	27
Joining family members abroad	3	7
Afraid that the door will close	2	5
Influenced by friends/peers	2	2
Better career opportunities	1	2
Better living environment abroad	1	2
<hr/>		
	41	100

(Kirbride and Tang, Jan 1989)

Recently a survey has been done by Dr. Kirbride on emigration. Of these 27 interviewees, 15 were emigrating to Canada, 7 to Australia, 3 to USA and 2 to UK. The total is greater than 27 because respondents could have more than one reason. The confidence problem seems to consist of several separate factors. Firstly, people were afraid that their freedom would be limited after 1997. The second major fear was that the quality of life would be worse after 1997, when PRC takes control of Hong Kong. There was a belief that there would be a frequent variation of internal policies by the PRC government. (Paul S Kirbride and Sara F.Y.Tang: Human Resource Journal Vol 5 No 1 January, 1989).

Another survey conducted by a multinational bank in Hong Kong also shows very similar results. Most of the respondents were afraid of the 1997 issue: uncertainty and lack of confidence in future government policy in Hong Kong, while a desire to settle in a stable or secure country reflects concern over children's future.

Regarding the intentions of emigrants to return to Hong Kong, from the respondents in the above survey, nine (33%) stated that they intended to return after obtaining citizenship elsewhere. Thirteen (48%) stated that they would return while five (19%) had not yet decided. The main reasons for staying abroad are related to the welfare of children. Many people thought that their children would find it difficult to re-adjust to Hong Kong and, particular, to Hong Kong education system after overseas exposure. Therefore, it is not unreasonable that Hong Kong Government is discussing the possibility of increasing the number of international schools by direct subsidies in order to attract those emigrated professionals and retain those "returnees".

B. Impact of the braindrain

1. High manpower turnover

Early this year the Institute of Personnel management (IPM) conducted a survey in 39 companies, and found that emigration accounted for an increasing rate of labour turnover. Last year about 5% of the employees left their firms because of emigration, of these about 50% came from middle management levels and hold professional

qualifications.

A recent survey conducted by Dr Paul S Kirkbride shown the significance of this impact.

No of respondent by industrial division

	no of respondents
Electricity and gas	2
Construction	2
Wholesaling, Retailing, I/E, Hotel	22
Transport and Communication	7
Finance and Insurance	4
Community Service	2
	<hr/>
Total	39

From this survey, there were 39 respondents and were divided into six Industrial Divisions. The average percentage levels of "Emigration Turnover" can be illustrated by the following tables:

TABLE I

AVERAGE PERCENTAGE LEVEL OF 'EMIGRATION TURNOVER'

INDUSTRIAL DIVISION	YEAR					
	82	83	84	85	86	87
E&G	NA	0.62	0.37	0.66	0.69	1.16
Construction	NA	NA	NA	NA	0.06	2.14
WRIEH	1.78	1.78	2.30	2.57	3.08	4.17
T & C	0.07	0.08	0.22	0.20	0.44	1.15
F & I	0.15	0.39	0.40	0.93	0.93	2.01
Education	NA	0.00	1.80	0.47	0.49	3.43
TOTAL	0.94	1.22	1.62	1.88	2.11	3.05

NOTE: E&G stands for Electricity and Gas
 WRIEH stands for Wholesaling, Retailing and Hotel
 T&C stands for Transport and Communication
 F&I stands for Finance and Insurance

We can see from the table that there is a steady increase of 'Emigration turnover' since 1984 but a great jump from 1986 to 1987 especially for education, finance,

insurance and WRIEH.

TABLE II

AGGREGATE PERCENTAGE LEVEL OF 'EMIGRATION TURNOVER'

INDUSTRIAL DIVISION	YEAR					
	82	83	84	85	86	87
E&G	NA	0.62	0.37	0.66	0.69	0.92
Construction	NA	NA	NA	NA	0.06	1.95
WRIEH	0.13	0.13	0.20	0.21	0.35	0.83
T & C	0.21	0.09	0.22	0.34	0.27	0.81
F & I	0.15	0.36	0.49	0.48	0.54	1.61
Education	NA	0.00	1.80	0.47	0.49	3.06
TOTAL	0.11	0.23	0.29	0.37	0.38	0.88

TABLE III
AGGREGATE TOTAL TURNOVER

INDUSTRIAL DIVISION	YEAR					
	82	83	84	85	86	87
E&G	NA	8.13	4.40	6.23	5.11	5.86
Construction	NA	NA	NA	NA	22.2	39.4
WRIEH	18.9	20.8	23.7	18.8	19.8	27.4
T & C	11.4	7.1	7.7	7.8	5.8	19.4
F & I	33.8	6.2	5.8	7.6	7.4	14.2
Education	NA	3.6	4.5	5.6	9.4	12.7
TOTAL	16.0	12.2	12.5	14.3	13.6	16.8

(Kirbride and Tang, January, 1989)

We can observe from the above tables that in 1988 education , utilities, banking and insurance are particularly affected while construction ,WRIEH,transport and communication are much less affected.

2. Increasing staff and recruitment cost

Due to the emigration problem, many organisations are paying up 30% to 40% salary premium for middle management posts. Also, in order to recruit suitable candidates for a post, an organisation may be required to pay up to 4 month salary of a manager to consultancy companies for "head-hunting". In order to avoid the sudden loss of executives and to lessen the pressure on salaries, some companies may

hire in excess of their actual needs. This not only adds extra cost but may also lead to individual personal demotivation.

3. Middle management in a vacuum

With the increasing rate of emigration, especially in the middle level, vacancies are either filled by executive recruiting from other companies or through internal promotion. "Head-hunting" will only temporarily solve the problem of the company as its own employees are also in danger of being recruited by other companies. Moreover, this will only increase the cost of recruitment. Also, newly recruited trainees require time to gain experience to become suitable candidates to fill the vacancies left by the emigrated employees. This will certainly affect the quality of work performed by the companies

4. Cessation of work

Due to high labour turnover and increasing cost of recruitment, a number of international firms have begun to move part of their operation or headquarters out of Hong Kong. For example in 1988 Union Carbide moved its headquarters from Hong Kong to Singapore. With an increasing numbers of international companies moving its operations out of Hong Kong, the prosperity and stability of Hong Kong will be seriously affected.

5. Localisation Programme

Many organisations in Hong Kong have at least adopted a formal or informal system of localisation, with the local staffs replacing the leaving expatriates. However, because of the continuous emigration, many Hong Kong organisations have been forced to slow down or suspend these programmes.

6. Some positive benefits

As some of the emigrants may return Hong Kong after they have obtained overseas passports, they may also bring new ideas, new skills and perhaps, new approaches to business. More important is the fact that they establish extensive networks of contacts while in other countries, particularly among overseas Chinese Communities. All of these add up to a very big asset to many Hong Kong organisations. Another positive impact is that because of continuous emigrations, many companies have been forced to focus much more on training and development of local junior and middle management than traditionally has been the case in Hong Kong. However, we must admit that the negative impacts still far out-weigh the positive impacts.

C. The present situation

1. Backgrounds of emigrants

A recent survey conducted by the Institute of Personnel Management (IPM) showed that 60% of those leaving Hong Kong are between 26-39 years old. Typically, most of them are university graduates as well as middle managers or professionals. Their earnings are between \$72,000 to \$240,000 per annum. About 36% of those leaving are single while 22% are married but without children. Usually, they have to stay overseas for two to three years before they are granted foreign passports. And less than 20% of the total will come back. From this survey, it is also shown that 28% of the interviewed firms had been forced to slow down the localisation process and 21% of them had to recruit expatriates (South China Morning Post, 15 April 88).

Another survey conducted by Survey Research Hong Kong (SRH) shown that about 17% of Hong Kong's 1.5 million household have at least one family member with an emigration visa and 7% of families have at least one member directly seeking the right to settle overseas. Nearly half of those households leaving belonged to the professional and business classes (from South China Morning Post 30 July, 88).

Referring to the research done by Dr Kirkbride, there

is a very detailed analysis of the backgrounds of emigrants, both from occupational level, length of service, salary level and educational level. These data are gathered from the questionnaire from 37 companies of different industrial divisions.

INDUSTRIAL DIVISION	AGE				
	<25	26-29	30-39	40-49	50+
E&G	3.7	33.9	41.6	13.2	7.5
Const	4.0	18.0	62.0	14.0	2.0
WREIH	5.6	26.4	53.6	10.4	4.0
T & C	5.7	26.4	53.3	11.5	3.1
F & I	4.0	28.1	46.2	18.8	3.0
Education	2.4	29.3	51.2	12.2	4.9

(Kirkbride and Tang, January, 1989)

From this table, we can observe that the majority of the emigrants from this sample are in their thirties. With the next largest category being those in their late twenties. However, there exists no significant difference in sex. Besides, 24.28% of the sampled emigrants belong to mid-level management and 12.83% are professionals. The professional, technical and managerial group make up around 10% of the working population, but represent over 50% of the emigration turnover experience by the sampled. The greatest loss for utilities comes overwhelmingly from the technical grades (42%) while for banking it is from clerical grades (33%) and middle management (28%). Insurance has its major losses from the professional

grades (64%).

Also, from the same survey, the final annual salary of those emigrants from sampled companies come from jobs in the \$36,000 to 180,000 per annum range. For Education levels, graduates, professional and post-graduates account for more than 6% of the total emigrants.

EMIGRANT BY OCCUPATION LEVEL
LEVEL

INDUSTRIAL DIVISION	TOP MGT	MID MGT	SUP	TECH	PRO	CLE
E & G	1.4	15.2	6.2	42.2	4.9	16.2
WRIEH	1.8	23.5	17.3	19.2	17.2	6.2
BANK	0.7	28.4	29.2	0.0	2.9	32.9
INSURANCE	4.0	8.0	4.0	4.0	64.0	8.0

2. Relaxation of emigration regulation

Both USA, Australia and Canada, the three most popular emigration destinations have relaxed their regulations substantially. For example, the US government has recently relaxed the emigration quotas for Hong Kong from 600 to 5,000 each year. From a survey, we note that there are almost 100,000 local residents qualified for emigration to US. For Australia, the number of emigrants from Hong Kong was approximately 5,200 in 1987, but may increase to 8,000 this year. Totally, the three countries will issue

approximately 36,000 resettlement visas to Hong Kong residents in 1988. In January 1986, the Canadian Government started a campaign in conjunction with the Canadian Imperial Bank of Commerce to promote a Business Migration Programme (BMP). Under the BMP, there are three categories of businessmen who may apply for eventual citizenship.

- a. Investors and financiers with net worth of \$3.15 million
- b. Entrepreneurs capable of starting new business and employing Canadians.
- c. Professional people eg computer programmers, electrical and industrial engineers, medical and health administrators and speech therapists. (Shun Po, 1st Aug, 1988)

So, we can observe that the governments of these countries are also very willing to accept emigrants because this will save a lot of training expenses for professionals and at the same time, creates more job opportunities in their countries.

In 1985 the emigration number was approximately 11,000 but the government estimated that for 1988, it would be about 27,000. However, in July, the government revised the number to 48,000. In Hong Kong only approximately 10% of 5.7 million population completed a high school education, therefore, it is obvious how serious the continuous loss of these highly educated professionals becomes.

3. Situation in Business Field

Financial sector

Last year the Hong Kong and Shanghai Banking Corporation lost 56 executives, of which about 8.6% was due to the braindrain. For Hang Seng bank, the braindrain accounted for 15% of the total turnover rate. The territory's worsening braindrain problem has forced Banque National de Paris (BNP) to close two profitable branches after many managers emigrated. However, BNP believed that outside recruitment demoralizes the bank's present employees. Therefore, BNP would probably redirect its operation to less labour intensive operations such as investment and wholesale banking. For Citibank, approximately four to five officers were lost in 1985 and 1986 but the number tripled that in 1987. Standard Chartered is now losing at least one member of its computing and data processing unit every month. Also every month, there are 16 people quitting in the first four months of 1988, for a new life overseas.

Among other financial sectors, the foreign exchange and money-market sectors have been hit hardest by the braindrain. Good dealers are now worth 30% to 40% more than a year ago. The following table shows the vacancy rate in the financial sector;

VACANCY IN THE FINANCIAL SECTOR

		VACANCIES	TOTAL	RATE (%)
1985	3RD QUARTER	413	78,170	0.53
	4TH QUARTER	342	78,782	0.43
1986	1ST QUARTER	1,087	80,961	1.34
	2ND QUARTER	391	80,920	0.48
	3RD QUARTER	446	82,228	0.54
	4TH QUARTER	588	83,200	0.71
1987	1ST QUARTER	1,079	85,635	1.26
	2ND QUARTER	1,245	86,838	1.43

(Hong Kong Economic News, 3rd February, 1988)

Thus we can see the number of vacancies has been increasing tremendously since 1986. According to Mrs Prudence Humble, managing director of Prudence Tolson Personnel Consultants, banking and accounting were the sectors that had been hit hardest by the braindrain. Miss Pinkly Ng of Truly Consultants mentioned that the number of job vacancies had risen by 60 to 70% since 1987. Many of them were professionals and managerial staffs, notably in the trading field with salaries over \$7,000 per month.

Computer industries and Others

A recent IBM survey of local computer industry show that 2/3 of the people questioned had decided to leave Hong Kong or were considering emigration, and did not plan to return. A similar survey conducted by Computer society shown seven out of ten Hong Kong Computer experts are considering leaving Hong Kong.

Union Carbide has already moved its Asian headquarters from Hong Kong to Singapore because of the braindrain. Shell Oil also employed those who have already retired and expatriates to fill the vacancies.

4. Methods currently employed

Training and development

The braindrain is mainly limited to experienced middle management level and professionals. If the company can provide internal or other external training, together with human resource planning and career development programmes, to a certain extent it can help to retain valuable staffs. For examples, British Airways starts an in house two-year MBA course, Hong Kong Bank runs the biggest in house executive development programme in Hong Kong. Certainly, some very small firms are incapable of providing extensive training. Instead they will provide more short-term training and increase salary to retain staff.

About some short-term and ad-hoc programmes, for example, last year the Hong Kong Bank's Personnel Department set up a Special Liaison Group to develop a closer connection with potential immigrant professionals so that they will most probably join Hong Kong Bank if they return to Hong Kong. According to Mrs Humble, managing director of Prudence Tolson Personnel Consultants, a number of 'headhunting' firm were bringing in people from overseas who formally lived in Hong Kong. Besides some firms are now willing to employ returned emigrants because they are more experienced and can start work immediately without any

training. It is also quite certain that they will stay a relatively longer time in the company. Some companies even arrange for those who have intention to emigrate to work in overseas offices until they get their foreign passports.

CHAPTER THREE

RESEARCH METHODOLOGY

1. Introduction

As we have pointed out at the beginning, this exploratory study is basically a combination of descriptive and evaluative research. On the descriptive side, the seriousness of the problem of brain drain, its impact on the banking industry, and what major banks have done or are going to do were studied. The method of data collection we used was by interviewing with the personnel departments of a couple of major banks in the territory.

On the evaluative side, the effectiveness of major measures employed by banks were assessed. Here, questionnaires were sent to a number of banking professionals in order to understand their opinions towards the various methods commonly used by personnel departments to deal with the brain drain. From our preliminary understanding of the research problem based on our literature review and the interviews mentioned above, we put forward a number of suppositions concerning the effectiveness of these methods:

1. Once an employee has determined to emigrate, even a higher salary, better training, promotion or more attractive fringe benefits will not be effective in changing his/her mind. The rationale underlying this supposition is that people emigrate primarily for political or social reasons, not economic ones.

2. Most of the emigrated employees are willing to return Hong Kong for work if offered attractive compensation. This is because their political worry has already been eliminated by holding foreign passports.
3. Most of the people who intend to emigrate are willing to work in their companies' overseas offices because they will have no need to seek comparable jobs in a new place.
4. Employees in general avoid letting their companies know their intention to emigrate because of the fear of affecting their careers.
5. Most employees will be willing to inform their companies of their intention to emigrate if non-discrimination has been promised by the companies.
6. Most employees will be willing to inform their companies of their intention to emigrate if the companies have promised to hire back emigrated employees.
7. Salary is the most important factor of consideration by most employees in deciding which banks to work for. We believe that this supposition is reasonable because money alone generates the greatest part of job satisfaction in Hong Kong.
8. Inferring from (7), most employees will work for another bank if, other things being equal, they are offered higher salaries.
9. Good training may actually be a source of higher turnover rather than reducing turnover because it enhances employees' bargaining power in the job market.

10. Social/Entertainment activities organized for employees are not useful in improving the relations among them because of their superficial and infrequent nature.

These suppositions were tested by means of the results of the questionnaire study to see whether they were strongly supported, slightly supported, or not supported.

2. Interviewing

a. Research design

The interviews we conducted were unstructured, exploratory and in-depth. General open questions were asked around our research problem. Specifically, two main areas were addressed:

1. Impact of Braindrain on the company.
2. Response of the company to this problem.

We also briefly covered such areas as the cause of braindrain, its dimensions and the effectiveness of certain personnel policies in dealing with it.

In general, this step was taken primarily to accomplish the following objectives:

1. To get a general understanding of the situation.
2. To give us some clues to questionnaire design in the next research component.

b. Population and sampling

Our population was confined to the commercial banks in Hong Kong. Purposive sampling was employed in this study. We selected the largest banks having the most extensive operations in Hong Kong because it seems obvious that they have been more seriously affected by the braindrain.

c. Data collection

We selected the Hong Kong and Shanghai Banking Corporation, Standard Chartered Bank, Hang Seng Bank, Citibank and the Bank of America as our sample. We sent letters to their personnel departments requesting interviews on this topic, followed by telephone confirmations several days afterwards. Finally, only Citibank and Bank of America granted us interviews at their offices. Most of the data we collected from these two interviews are qualitative and descriptive, concerning major policies taken by the two banks. Questions were asked face-to-face of the bank representatives and all the answers were recorded manually. A complete presentation of findings is given in the next section.

3. Questionnaires

a. Research Design

The purpose of this part of the research is to understand how bank executives respond to certain personnel policies to deal with the braindrain problem. In the final

analysis, how effective a policy is depends on how employees see it.

The questionnaire is composed of four sections:

1. Personnel background

This section was designed to obtain the demographic and socioeconomic background of the respondents. It includes such items as sex, age, marital status, type of passport held, education level, rank in company, length of working experience and present salary. At the end of this section, the respondents were asked whether they planned to emigrate, the answer to which determined which other sections they should continue.

2. Emigration profile

This section was designed for those who had planned or might plan to emigrate. Questions were designed to test the effectiveness of certain measures employed by banks to keep these people from emigrating, attract them to return to their companies after emigrating, place them in overseas offices, as well as encouraging them to inform the companies of their decision.

3. Non-emigration profile

This section was designed for those respondents who did not plan to emigrate but nevertheless might join other banks for better offers. Questions were asked on such personnel policies as improvement in salary, promotion

prospect, training, staff relations and other fringe benefits.

4. Returnee profile

This section was designed for those respondents who had returned to Hong Kong for work on an overseas passport. Questions were asked about their specific reasons for returning to Hong Kong, either in the same company or in a different company.

(A sample of the questionnaire is in the appendix)

b. Population and Sampling

All banking executives in Hong Kong from middle and upper management belong to the population of this study. The unit of analysis was the individual. Random sampling was not employed because of the difficulty of obtaining a complete source list and the expected low rate of return on such sensitive topics.

Instead, we used quota sampling. Samples were stratified in order to cover all major categories of respondents and thereby increasing the representativeness of our sample. Specifically, the stratification of our sample was designed to cover the following variables:

1. Age.
2. Sex.
3. Rank and Salary.

4. Type of bank working for.

c. Data collection

Questionnaires were distributed and collected through our classmates who are working part-time in banks to their colleagues between March and April 1989. Totally 30 questionnaires were completed by employees in five major banks in Hong Kong.

The composition of the sample is as follows:

1. Sex	Male	80%
	Female	20%
2. Age	Under 25	73%
	25 - 29	13%
	30 - 39	13%
3. Marital Status	Single	87%
	Married	13%
4. Educational Level	Post-secondary	40%
	University	60%
5. Current Organization Level		
	Middle management	53%
	Supervisory	7%
	Professional	40%
6. Length of full-time working experience		
a. Current Bank	Less than 5 years	87%
	5 - 9 years	14%
b. Current Industry	Less than 5 years	73%
	10 - 14 years	7%

7. Current annual salary (excluding bonus)

\$50,000 - 99,000	40%
\$100,000 - 199,999	47%
\$200,000 - 299,999	0%
\$300,000 - 399,999	13%

8. Bank working for

Citibank	20%
Chase Manhattan Bank	20%
First Chicago Bank	20%
Hong Kong Bank	20%
Bank of Communications	20%

CHAPTER FOUR

FINDINGS AND INTERPRETATION

A. The Present Situation and Impact of the Braindrian

The shortage of personnel in the middle upper level of the banking industry in Hong Kong in recent years is basically caused by the all-time high figure of emigration from the territory. Although the reasons for this emigration trend is not among the main themes of our study, some data we obtained from the Citibank during our interview may provide some ideas as to why people emigrate.

A survey conducted by the Hong Kong Banking Association (HKBA) in 1988 on the impact of emigration on the banking sector shows the following reasons given by the respondents on emigration, in the order of their relative importance:

- 1) The 1997 issue: uncertainty and lack of confidence in future government policy.
- 2) Concern over the children's future.
- 3) To join family or relatives abroad.
- 4) Emigration with parents, family, or spouse.

- 5) Better social security and welfare in other countries.
- 6) Most of emigrant's friends and relatives have emigrated.
- 7) Physical or environmental factors.
- 8) To follow a different career path.
- 9) Retirement.
- 10) To lead a quieter life overseas.
- 11) Feeling threatened by the construction of the Daya Bay Nuclear Plant.
- 12) Anticipation that it will be more difficult to emigrate in the future.
- 13) Emigration for study. (HKBA,1988)

Among those bank executives who have emigrated, middle management accounts for the largest percentage, followed by junior and senior management respectively. In 1987, a total of 6000 banking professionals and executives emigrated, in which nearly two-thirds were middle management. During 1988, Citibank reported the highest emigration rate in corporate finance while Bank of America suffered the most severe loss of executives in the area of credit marketing.

This vacuum in middle management of banks created by the large-scale emigration has led to the promotion of more junior people to fill the vacancies. The immediate result is a drop in the experience level of many employees in their jobs. Competition among banks in recruiting the best people becomes very keen. This situation is further aggravated by the booming banking

industries, which are experiencing a high demand for new staff, especially in the middle level.

In the meantime, normal operations in the banking sector are still not too seriously affected by emigration. However, if this trend continues, its harm to the industry will become enormous. The shortage of staff will force some foreign banks to cut down or even terminate their businesses in Hong Kong. The rapidly rising portion of employee compensation among all operating costs will also make doing business in Hong Kong no longer profitable and thus severely affect their operations here.

B. Existing Solutions Undertaken by Major Banks

As identified in the previous section, the rising trend of emigration has had two major effects on staff supply. First, in the most direct way, the departure of many well-qualified banking professionals has left a number of vacancies to be filled. Second, because of the general shortage of staff, banks have to provide more attractive terms to recruit people from other banks. As a result, two different, though similar, sets of solutions are needed. To deal with the first problem, something has to be done to retain people who want to emigrate and attract people who have already emigrated to return to work. To deal with the second one, something has to be done to retain people who want

to join other banks and attract people locally.

1. Policies for retaining potential emigrants

According to our interviews with Citibank and Bank of America, much have been done in this area. For potential emigrants, the banks encourage them to make their intention to leave known as soon as possible. This is achieved by maintaining a good communication system and declaring a non-discriminating policy towards employees who intend to emigrate, especially those at the senior level. The banks then try to make arrangements with these people such as:

- a) Placing them in overseas offices if possible
- b) Assisting them in the emigration process but requiring them to come back to work again once they are granted permanent residence overseas
- c) Offering better terms to keep them from going
(Please refer to "Policies for keeping and attracting non-emigrants" in (3))

Even if none of the above arrangements is accepted, this early notification to the banks enables them to prepare for the eventual departure of certain key personnel.

2. Policies for attracting emigrants overseas

For many people who have already emigrated, Hong Kong is still a very attractive working place because of such reasons as difficulty of finding a comparable job overseas, a more familiar working and living environment, as well as established social connections. For these people, many banks in Hong Kong have stretched their recruitment arms to foreign cities with huge Chinese populations, such as Vancouver, Toronto and San Francisco. Advertisements are placed for jobs with very attractive compensation packages. Employment terms are usually expatriate, which often consist of the following features:

- a) Above-average salary.
- b) Generous fringe benefits.
- c) Annual leaves for returning home.
- d) Free air-tickets for returning home.

Some banks like Bank of America even employ headhunting agents to recruit senior executives from overseas.

3. Policies for keeping and attracting non-emigrants

In order to retain local staff and to attract people from other banks, nearly every bank has begun to offer competitive compensation packages as well as other attractive features:

a) Increased salary level

According to a survey conducted by the Bureau of Statistics of the Hong Kong Government on the salary level of middle management and professionals, the banking and insurance industries reported the greatest increase in salary level between June 1984 and June 1986. This study surveyed 200 middle and large organizations in five major industries in Hong Kong, which are manufacturing/utilities, construction, import/export, transportation and communication, as well as finance and insurance. Salary is defined as the sum of:

- i) basic salary.
- ii) living allowances.
- iii) year-end bonuses.
- iv) commissions and gratuities.
- v) other regular bonuses and allowances excluding profit sharing, housing allowances and non-financial benefits.

The findings of this study indicated that the salary level of middle management in the banking industry has doubled over the past five years, or an average of 15% increase per year. However, the largest increase of 18.8% occurred between 1987 and 1988, reflecting the recent sharp increase in salary levels.

- b) More comprehensive fringe benefit schemes
- 1) Annual leaves (usually ranging from 3 to 4 weeks).
 - 2) Housing benefits.
 - company-provided accommodations.
 - housing allowances.
 - housing loans (eg. 2% for HongkongBank officers and 4% for Citibank officers).
 - 3) Provident funds, pensions, retirement funds
 - 4) Insurance plans.
 - life.
 - traffic accident, disability.
 - medical.
 - 5) Medical benefits.
 - free medical services.
 - medical allowances.
 - 6) Transportation benefits.
 - company car.
 - car-purchase loan (eg. savings account interest rate for Citibank officers).
 - transportation allowances.
 - 7) Club memberships (eg. Wayfoong Sports Club for all Hongkongbank employees).
 - 8) Profit sharing.
 - 9) Children's education allowances.
 - 10) Reimbursement of tuition fee of external courses taken.
 - 11) Purchasing discounts of company products.
 - 12) Tax allowances.
 - 13) Long-service awards.

- 14) Foreign travel allowances.
- 15) Free credit card.
- 16) Interest-bearing checking accounts.

c) Enhanced training system

1) In-house classroom training

For example, the Hongkong and Shanghai Banking Corporation has a Group Training and Management Development Department to organize courses internally for all levels of management.

2) External classroom training

These are, for example, extramural studies or part-time programmes held by local educational institutions, technical courses provided by IBM on application software usages.

3) On-the-job training

Job rotation is the most preferred means by which banks employ to familiarize employees with various functions in the bank. It greatly appeals to people's desire to become well-rounded executives.

4) Overseas training

Many banks constantly send its executives overseas to attend special courses and seminars. For instance, Citibank's training

program for its Management Associates involves a two-month training programme in Singapore.

In general, in order to attract persons from other banks, comprehensive and intensive training is increasingly used by local and foreign banks alike.

d) Better promotion prospect

To satisfy people's growing need for achievement, banks are constantly introducing more intermediate positions into the original career ladder. Such positions as assistant vice president and senior vice president are added in order to speed up the rate of promotion. Attractive corporate titles are also used to raise the prestige of all positions. In a typical American bank, a person can rise up from a trainee to a vice president in five to seven years.

e) More cultural and entertainment activities

Banks begin to understand that harmonious relationships among employees can increase their job satisfaction, and thus reduce the rate of turnover. As a result, more emphasis is put on organizing staff functions like sports competitions, dinners, pleasure boat trips, Christmas balls, etc. It is hoped that these

activities would serve to improve the relations among the employees.

f) Employee Stock Ownership Plan (ESOP)

For example, The Bank of East Asia offers 5% of its new stock to all of its employees at a more favorable price. This is believed to greatly enhance the sense of belonging of employees to the bank.

Recently, Citibank conducted an employee opinion survey to show concern for the employees and understand what type of working environment is best for them. External consultants were hired to evaluate the degree of job satisfaction, salary level, and training of individual departments. Meetings are also held from time to time among senior management and department heads to discuss ways to improve the working conditions of the bank. Bank of America is also preparing to conduct a similar survey.

(4) Other policies for replacing lost staff

Besides competing for the existing pool of bank executives, some measures have been taken to create new manpower supplies for the middle level management:

a) Recruit more fresh graduates

More and more banks in Hong Kong are beginning to recruit junior executives through the placement services of the two universities and other tertiary educational institutions. Comprehensive training programmes are given to them in order to prepare them as future middle managers.

b) Hiring of expatriates from overseas

In the short term, the most effective way to fill the management vacancies is to hire qualified people directly from foreign countries. Some banks transfer executives from its foreign offices to Hong Kong. For example, Citibank is currently doing this by means of its policy of "International Operator Movement".

This concept of globalization has two distinct advantages. First, it fills the vacancies quickly. Second, it facilitates technology transfer from overseas to Hong Kong.

c) Shorten the training periods

Many banks have already shortened their required training for management trainees in order to push them to the middle level more quickly.

All the above-mentioned are methods commonly employed by banks to tackle the problem of the braindrain. As for the degree of popularity of different measures, a survey conducted by the Hong Kong

Banking Association in 1988 lists these in the order of their relative importance:

- Recruiting equally-skilled staff at higher salary levels.
- Recruiting equally-skilled new staff at same salary level.
- Promoting equally-skilled staff at same salary level.
- Promoting from within at same salary level and increasing training efforts.
- Transfer of equally skilled staff from other units.
- Recruiting less-skilled staff at lower salary levels.
- Replacing by deputy with equal skills at lower salary.
- Replacing by expatriates (higher salary, higher skills)
- Recruiting less-experienced personnel and providing on-the-job training and structured progression.
- Recruiting less-experienced staff at same salary level.
- Offering training to develop staff for senior positions.
- More flexible approach to remuneration and benefits.
- Promoting/recruiting less-skilled staff at higher salary level.
- Recruitment of local/naturalised candidates from overseas.
- Recruiting more trainees, shortening the training period and intensifying the pace of training.
- Replacing staff with similar levels of experience and capability at similar salary levels.
- Greater commitment to career planning and management succession.
- Focus on increased productivity and accelerated computerization.
- Providing a joining bonus for new recruits.
- Improving fringe benefits package for staff.

Introducing a more aggressive recruitment campaign.

Retention of expatriate staff.

Reducing size of bank establishment/branches.

Making special arrangements for the repatriation of staff through overseas offices.

C. Effectiveness of Various Measures Employed

Our interviews conducted with the banks provided us with some information about the effectiveness of their policies taken to deal with the Braindrain. However, the bank representatives admitted that there are too many interacting factors that may obscure the picture. For instance, the decrease in the number of emigrants may just be due to more stringent emigration policies set out by foreign governments rather than due to the effects of the measures taken by the banks. Enrichment of training attracts more new staff but may also quicken their leaving for better jobs elsewhere. In fact, the effect of training and developments is intangible and remote. The hiring of expatriates solves the problem of lack of staff for the moment. However, in the long term, the rate of localization of senior management will slow down. As these expatriates return home eventually, a even greater vacuum may be left.

Fortunately, the questionnaire survey we have conducted gives us a much more direct and detailed evaluation of the effectiveness of some of the most

common measures mentioned in the previous section.

We divided all of our 30 respondents into four groups based on their specific status regarding emigration:

1) Potential emigrants

These are people who had planned or might plan to emigrate in the future. They were supposed to complete Section 2 of the questionnaire.

2) Non-emigrants

These are people who were not going to emigrate. They were supposed to complete Section 3 of the questionnaire.

3) Marginals

These are people who were having no idea whether or not to emigrate. They were supposed to complete both Section 2 and 3 of the questionnaire.

4) Returnees

These are people who had already emigrated but had returned Hong Kong to work on overseas passports. They were supposed to complete Section 4 of the questionnaire.

Due to limitation of the scope of our social network, the sample does not include any returnees. Among all the respondents, 33.3% indicated that they

would probably emigrate, 40% would probably not emigrate, 6.7% would definitely not emigrate, and the remaining 20% were still undecided.

Findings pertaining to the suppositions

1. Among those respondents who intended to emigrate, only 12.5% said they would change their mind if offered a higher salary, given better training, promoted, or given more attractive fringe benefits. 50% of them said they would not change their mind even if they were given the above terms. The other 37.5% did not give their answer. This result slightly supports our supposition.
2. Among those respondents who intended to emigrate, 87.5% said that they were willing to return Hong Kong to work if they were hired on expatriate terms, while only 25% of them would do so if they were hired on better local terms. Another 25% cited "given free round-trip air tickets each year", and 37.5% cited "enjoy annual leave to return home". This result strongly supports our supposition.
3. Among those respondents who intended to emigrate, 87.5% indicated their willingness to work in their companies' overseas offices after emigration. This result also strongly supports our supposition.

4. 75% of the respondents who intended to emigrate said that they would not inform their companies of their intention to emigrate before they were granted permission to emigrate. This result strongly supports our supposition.
5. All of those respondents who would not inform their companies of their intention to emigrate said that they would still not do so even if their companies had declared no discrimination against them. This result is contrary to our supposition.
6. All, except one, of those respondents who would not inform their companies of their intention to emigrate said that they would still not do so even if their companies had promised to hire them back after they had emigrated. This result is also contrary to our supposition.
7. Those respondents who did not intend to emigrate were asked to rank 3 most important factors that they thought keeping them in a company. We assigned a index score of "3" to the factor selected as the most important, "2" to the second most important one, "1" to the third most important one. The total index score of each factor is listed below:

Salary	46
Promotion prospect	34

Job responsibility	20
Training and development	14
Fringe benefits	6
Working environment	6
Relations with colleagues	6

This result confirms our supposition that salary is the most important factor in choosing a bank to work for.

8. Contrary to our supposition, half of the respondents said that they would not change to another bank until there was at least a 30% increase in their salaries. 20% insisted on a 50% increase. 10% even insisted on a 100% increase. This shows that a significant premium is needed for an employee to jump to another company.
9. As we have expected, 60% of the respondents said that they would probably leave their companies for better compensation or promotion prospect after receiving all the training available to them. Only 10% of them said that they would definitely not do so.
10. 60% of the respondents agreed that relations with colleagues would be improved by participating in more company-held social activities. This result did not supported our supposition.

D. Interpretation of Findings

The results from our questionnaire survey shed some light on the effectiveness of some commonly used measures designed to deal with the braindrain.

1. Policies for retaining potential emigrants

Results show that once the employees have made up their mind to emigrate, improved terms of employment such as higher salary, better training, promotion and more attractive fringe benefits are not likely to make them abandon their decision to emigrate. In fact, most people want to emigrate because of political and social reasons, not because of economic reasons (please refer to (A) of this section). There seems to be little that banks can do to keep their employees from emigrating.

As a result, the next thing banks can do is try to place emigrated employees in the overseas offices in order to retain skilled and useful staff within the same company. This also serves to prevent these people from working for their competitors. The results of our study show that nearly all respondents are willing to work for their bank's overseas offices. In fact, this is equally beneficial to them because they will have no need to seek for employment in a new place.

Banks can also make arrangement with potential

emigrants by helping them to emigrate while requiring them to come back once they are granted permanent residence abroad. Results show that most people are willing to return to Hong Kong for work if they are employed on expatriate or better local terms. However, one major problem we anticipate in this method is that most people do not want to inform their banks of their intention to emigrate, supposedly because of fearing that doing so may affect their employment within the bank. The policy of declaring non-discrimination against potential emigrants and special re-employment arrangement will not help either, as shown in our study. There seems to be a very strong inhibition against people to let others know they are going to emigrate. The fact is that, although many people want to work for the same banks in Hong Kong again after getting foreign passports, few of them have much faith in the bank's expressed sincerity to keep them.

2. Policies for attracting emigrants overseas

Our study does not give us direct information on policies for attracting emigrants overseas because of the lack of suitable respondents. However, based on what has been mentioned above, expatriate terms or better local terms of employment should be enough to attract quite a number of overseas emigrants back to Hong Kong. This supposition is further strengthened by the fact that many people emigrated for

political reasons. After they have eliminated this worry, Hong Kong still appeals to them in many other aspects. After all, advertising and headhunting in foreign countries have proven to be quite successful in recruiting upper middle management people.

3. Policies for keeping non-emigrants

Results of our study show that salary, promotion prospect, job responsibility, and training developments are the four most important factors motivating a person to work for a particular company.

The fact that "salary" was selected most frequently as the most important factor explains why salary levels in the banking industry have been raised significantly in recent years. It is the most visible and quantifiable dimension of a job. It also provides the most important psychological reward to the employee because our society has been well known for evaluating a job almost solely on monetary terms. Employees often jump from one company to another for the sake of receiving a mark-up in their salary. Since half of the respondents indicated that they would consider changing to another bank if given at least 30% increase in salary, we strongly believe that this is probably the minimum premium a bank has to offer to take away persons from its competitors. We also believe that the higher a position is and the more complex skills a position requires, the higher premium a company needs

to pay for a person from outside. This is because there would generally be more things of a new company that, say, a senior manager has to understand than a secretary or programmer in order to do a good job.

In fact, as we have pointed out earlier, in such an utilitarianistic society like Hong Kong, salary is the single most important measure of a job so that it can cover the deficiencies in other aspects. In other words, a sense of actualization may be felt if one is earning one million dollars a year. As Dr Lau Siu Kai put it, "The Hong Kong Chinese placed the greatest emphasis on earning a lot of money as the value which could lead to fulfillment in life job satisfaction is a very strongly associated with satisfaction with salary" (Lau Siu Kai, 1984, p69.)

As to training and development, roughly more than half of our respondents preferred overseas training as the best type of training, followed by on-the-job training and classroom training respectively. Obviously, not every bank in Hong Kong has enough resources to provide employees with overseas training, which is one of the competitive edges of large international banks like Citibank and Hongkong Bank.

However, it should be noted that increased training will enhance the employee's skills and knowledge,

and thus their bargaining power in the job market. If a bank does have other strengths to attract employees, good training may in the end prepare good people for other banks. For example, Citibank has been an ideal place for many graduates to work but has been suffering from very high turnover rate. The excellent training program but an below industry-average salary scale is the reason. Some smaller banks can not afford providing good training but can recruit experienced executives by offering higher pay. The findings of our survey support this argument.

Finally, more than half of our respondents believe that relations among colleagues can be improved by participating in more company-held social activities. Its implication to the personnel department is clear: organize more function for staff such as parties, picnics, boat trips and sports competition.

CHAPTER FIVE

SUGGESTIONS AND RECOMMENDATIONS

The braindrain is both a political and an economic problem. It is also an aggregate of choices made by individuals regarding their future. It is harmful to the prosperity and development of our society; yet there is no way to restrict the freedom of individuals to move across national frontiers. Nor can braindrain be stopped by administrative measures because of our responsibility to respect human rights.

The preceding discussions seem to have focused the solution against the braindrain at the organization level. However, as we have already mentioned, political reasons actually play the greatest role in most people's decisions to emigrate. In this sense, what individual company can do to change them is very limited. Short-term solutions are often employed to alleviate the immediate situation. However it should be understood that salary increases are limited to the extent that incumbents can manage their jobs and expatriates will return home one day. In the long-run, if the basic causes of braindrain are not eliminated, the economic development of

Hong Kong is doomed. The ideal long-term solution to this problem, in our opinion, calls for a concerted effort between the government and the organizations.

A. Government Level

1. Establishing Confidence

Although the political future of Hong Kong lies in the hands of the People's Republic of China, it does not mean the Hong Kong Government can do nothing to maintain the confidence of people towards Hong Kong. Specifically, the government can boost public confidence in the future of Hong Kong by obtaining more explicit assurance from the PRC.

Hong Kong people have become tired of unwarranted, vague oral promises made by a few officials of Mainland China, which is notorious of being unstable in political policies. More clearly defined written statements in the Basic Laws to guarantee the freedom and independence of Hong Kong people after 1997 is greatly needed. The Hong Kong government should prove that it is not merely a "lame duck" by increasing its role in the drafting of the Basic Law. A more aggressive public education campaign should be introduced to reduce uncertainty over the prospective change of sovereignty in the future of Hong Kong.

In order to foster the faith that Hong Kong people

have in the local government, a more democratic outlook is needed. The public should be kept informed of government policy and programmes. Participation in high-level decision making within the government should be made open to the public by means of direct elections and universal franchise. In fact, the confidence of Hong Kong people has been severely shattered by the poor performance of the government in several recent issues such as Daya Bay nuclear plant, education reform, basic law drafting and direct election. All these contributed to a certain extent to strengthening people's determination to leave. Therefore, a democratic and assuring ruling style will be most important to help reducing the number of emigrants in the coming years.

2. Education and Training

Educational system should be geared more closely to the need of Hong Kong so as to relate manpower output to job opportunities, while at the same time giving attention to personal human development. The expansion of opportunities for higher education and advanced training should be balanced with an equivalent growth of facilities for the training of skilled and semi-skilled personnel who often provide the basic support for the professionals.

Specially , we make the following suggestions:

1. Focus upon and actively support educational institutions which will be primary sources for replacements.
2. Put more emphasis on part-time studies at polytechnic level to release more young people back into the work force
3. Encourage part-time, evening or distant learning
- 4 Offer more vocational training and tertiary education opportunities to train management staff
5. Provide more training programmes through the Productivity Council and the Vocational Training Council
6. Promote civic education in schools to strengthen sense of responsibility and obligation among young people and thus promote stability of job tenure
7. Introduce a training levy amounting to a small percentage, say 2% to 3% of payroll in order to:
 - train and develop more human resources
 - spread the load of training and development costs evenly among all employees
 - keep our salary growth within our productivity growth to ensure that Hong Kong will not price itself out of the market
8. Increase places in international schools and improve the English stream Education as that returnees' children can adapt back to the system at receive an education equivalent to that available

overseas.

3. Social development

Besides political reasons, people choose to emigrate because of a desire to live in a better social and physical environment.

First, the government should improve the security and welfare system of Hong Kong. The rapid economic development of Hong Kong in the past decades has been the result of laissez-faire and economic positive non-interventionism policy pursued by the government. Tax rates have been kept at a minimal level to ensure that investments and capital flows can be facilitated. However, social welfare is sacrificed for economic prosperity. Presently, the social welfare of Hong Kong provided to the public are only those basic ones, such as disability allowance, public housing, and free medical services. They are far from enough when compared with countries like USA, Canada and Britain. In order to give the residents a sense of social security, the government should implement more social welfare programmes, such as free tertiary education, improved service to senior citizens, extended public medical services and more care given to people suffering from sickness, unemployment and disaster. .PA

Second, government should consider action in conjunction with the Chinese Government to increase investment in housing, transportation, education and other infrastructure development to make Hong Kong a better place to live. Hong Kong, though famous for its high living standard, ranks very low in such aspect as living space, traffic conditions, recreational places and rents. Many people have chosen Canada to emigrate just because it does not possess any of the dissatisfying elements mentioned above. Due to physical limitations, Hong Kong can never be changed to match the environment in Canada. However, the government can still do something about this by exploring unused rural land, reclamation constructing more housing estates, etc.

Third, the government should increase the role it takes to control pollution. As Hong Kong is industrializing and population density is rising, pollution is becoming a more and more serious problem to everyday life of each Hong Kong people. In order to maintain the mental and physical health conditions of residents, regulations controlling the release of all type of pollutants should be passed.

Fourth, the government should foster community identity and sense of belonging of Hong Kong people by organising more social functions on the community level. Establishment of interest groups and

mutual-help associations should be encouraged in order to bring more residents into the community. However, we recognize that this is easier said than done because social and political apathy has already been deep-rooted in many people here. In order to enhance social consciousness, efforts should be made in education.

4. Research and investigation

Adequate fact-finding machinery should be established to gather more data on the subject of braindrain. There is a particular need to collect data systematically in the profession or training of those leaving Hong Kong as well as those returning. Professional organizations in such areas such as accounting, banking and engineering are important source of information on the movement of their members.

The government can also liaise with foreign consulates, identify emigration trends and advise the business sector on prospective changes and impact on human resource in Hong Kong.

B. Organisational level

1. Enhancing Job Satisfaction

The present job opportunities in the banking industry can be described as excellent. Major banks are using high salary, generous fringe benefits and fast promotion to retain their own employees as well as attracting people from other banks. As mentioned earlier, these are all relatively short-term solutions and have certain limit themselves given the profit-making nature of organisations. What are we going to suggest , therefore, are some non-financial means that banks can employ to improve the job satisfaction of employees, which we believe have more long-lasting effects on turnover and do not rely heavily on the financial resources of the company.

Job design and redesign

Job design refers to the way tasks are combined to form complete jobs. Some jobs are routine because the tasks are standardized and repetitive. Some require a large number of varied and diverse skills. Some jobs constrain employees by requiring to follow precise procedures. The way jobs are designed directly affects the level of satisfaction employees have on them. Attention should be focused on job design approaches that would make work less routine and more meaningful.

One of the first approaches is job enrichment, which means vertical expansion of jobs. It increases the degree in which the employee controls the

planning, execution, and evaluation of his or her job. It allows the person to do a complete activity, increases the person's freedom and independence, increases responsibility, and provides feedback so that the individual will be able to assess or correct his own performance.

Another approach is job rotation. It allows employees to increase their skill variety by permitting them to shift job periodically. When an activity is no longer challenging, the employee would be rotated to another job that has similar skill requirements. The strength of job rotation is that it reduces boredom through diversifying the employee's activities. It also gives the company more flexibility in scheduling work, adapting to changes and filling vacancies.

Shorter workweek is also a recent trend within large organizations in USA and Europe. A number of innovative programs have been proposed: workweeks of three 12-hours days, four 9 hours days and four 10-hours days have been the most widely implemented. These programs are supposed to allow employees more leisure time and permit them to travel to and from work at non-rush-hour times. It also makes it easier for the organisation to recruit and arrange employees.

Rewards are likely to lead to high employee performance and satisfaction when they are perceived as equitable by the employee, tied to performance, and tailored to the needs of individuals. These conditions should foster a minimal of dissatisfaction among employees, reduce turnover and increase organisational commitment.

Organisational Structure

In general, high complexity, high formalization, and centralization lead to reduced job satisfaction. High vertical differentiation tends to alienate lower-level employees because vertical communication becomes more difficult. However, upper management finds that the rewards that go with their position enhanced job satisfaction. Therefore, the effect of organisational structure on the level of job satisfaction depends partially on the level of an employee in the organisation.

2. Training and Development

So much have been said about training and development that we are not going to repeat them again. One point worth mentioning is that training should be accompanied by good compensation and promotion prospect. Otherwise the company is just training for its competitors. Besides, training

should be considered as a continuous, never-ending process by which individuals grow and develop. Different types of training should be available for different levels of employees within the organisation. This will enable the employees to identify their growth path and anticipate constant training in the company, thus reducing the chance of quitting.

3. Localisation

The hiring of expatriates to fill senior vacancies is only a short-term solution. This also creates a sense of injustice and discouragement to middle-level management as they consider upper positions as being reserved by foreigners. In the long-run, the proper solution lies in a gradual process of localization of top management. If local employees perceive a chance of moving up to the top of the company, they would not leave so easily.

4. Sense of Belonging

A strong identification to the company is another critical factor reducing turnover rate. This can be achieved by :

1. Special induction course for every new recruit.
2. Cultural/Entertainment activities among staff.
3. Membership of professional associations.
4. Employee Stock Ownership Plan.

5. Pension/ Provident fund.
6. Good company image.
7. Employee opinion survey.
8. Business cards.
9. Impressive titles.
10. Assigned parking spaces.

CHAPTER SIX

LIMITATIONS AND SUGGESTIONS FOR FURTHER STUDY

A. Limitation:

Our research on the braindrain problem in Hong Kong is an exploratory one and hence no hypothesis is proposed and formally tested in this study. Due to the nature of our study and limited resource, two major limitations are observed in our study. They are the lack of data concerning the impact of braindrain on various aspects of the banking sector and the limited number of questionnaires collected from executives in the banking sector.

1. Lack of detail

Since data concerning the turnover rate in various departments and positions in a bank is treated as highly confidential by its human resources department, detailed data concerning turnover rates in various departments of different banks is not available. As a result, we are not able to know the exact impact of braindrain on different departments of banks.

2. Limited respondents in our survey

In our study, only 30 questionnaires were collected from executives working in banks. Due to the small number of respondents, we are not able to tell whether people with

different backgrounds have different attitudes toward the various policies employed by the human resources departments to tackle the problem of braindrain. For example, people working in different banks, different departments and even different grades will tend to have different perspectives towards different policies. Being able to identify the distinct needs of different types of personnel working in bank will certainly help the human resource department to implement better policy to tackle the high turnover problem in their banks.

B. Suggestion for further studies:

Our research used interviews and questionnaires to find out the view of middle level employees towards different policies implemented by banks. This gave us a general understanding of the effectiveness of various policies in reducing turnover rate caused by braindrain. We believe that based on the results of our study it would be fruitful to further analyse the effectiveness of various policies toward executives of different backgrounds. Hypotheses and experiments can be set up to test against them. The results generated should be extremely useful for banks to tackle the braindrain problem.

CHAPTER SEVEN

SUMMARY AND CONCLUSION

The objective of our research report is to understand the impact of braindrain on the banking industry and find out the effectiveness of various policies implemented by human resources department. Research can be divided into three major stages, which are literature review, interviews with personnel departments of various banks, and questionnaire study concerning the attitudes of banking executives towards various policies dealing with the braindrain. In the literature review, we addressed such issues as the reasons for emigration and the impact of the braindrain on the business sectors. Also, in this section, we collect secondary data concerning the background of emigrants, foreign countries' emigration policies, current turnover situation in various industries, as well as methods currently employed to tackle the problem. All these background information gives us a better understanding of the dimensions and seriousness of the braindrain problem in Hong Kong.

Based on the above information, we decided to focus our attention to the banking industry. We arranged interviews with senior executives of major banks. From the interviews, we had a clearer idea of how the problem of brain affects the banking industry and we collected

information about various policies being implemented by banks to tackle the problem. In the final stage, we send out questionnaire to banking executives to understand the relative effectiveness of different policies.

We believe that the problem of braindrain should be tackled at both the government level and the individual organisation level. The government can implement policy to enhance people's confidence towards 1997 , provide more education and training opportunities and improve the living standard of Hong Kong. The organisations can, on the other hand, reduce turnover rates by enhancing job satisfaction, providing better training , higher salary and creating a sense of belonging.

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APPENDIX

A QUESTIONNAIRE ON THE BRAINDRAIN

We are a group of students in the Two-Year Master of Business Administration Programme of The Chinese University of Hong Kong. As an effort to complete our master's research paper, we are going to conduct an in-depth study on the problem of braindrain in Hong Kong's banking industry. This questionnaire is designed to understand your personal opinion towards certain personnel policies to deal with this problem. The result from this study will be a valuable help to our understanding of the issue and ,hopefully,give us some clues as how to solve it.

All the data in this study will be treated in the strictst confidence and will only be used for academic purpose. Thank you very much for your cooperation.

SECTION I : PERSONAL BACKGROUND

1. Sex ☐ MALE ☐ FEMALE
2. Age ☐ UNDER 25 ☐ 40 - 49
 ☐ 25 - 29 ☐ 50 - 64
 ☐ 30 - 39 ☐ 65 OR ABOVE
3. Marital Status ☐ SINGLE
 ☐ MARRIED , WITH NO CHILDREN
 ☐ MARRIED , WITH CHILDREN
4. Passport(s) you are currently holding: (You may choose more than one item)
- ☐ BRITISH/HK ☐ CANADIAN
 ☐ BRITISH/UK ☐ AUSTRALIAN
 ☐ UNITED STATES ☐ OTHER(S)
5. Highest educational level attained
- ☐ PRIMARY
 ☐ SECONDARY
 ☐ POST-SECONDARY
 ☐ UNIVERSITY
 ☐ OTHERS (PLEASE SPECIFY) _____
6. Current organisational grade/level
- ☐ TOP MANAGEMENT ☐ SECRETARIAL
 ☐ MIDDLE MANAGEMENT ☐ CLERICAL
 ☐ SUPERVISORY ☐ PROFESSIONAL/TECHNICAL
 ☐ OTHERS (PLEASE SPECIFY) _____

7. Length of full-time working experience in your

A, current bank

- | | |
|--|---|
| <input type="checkbox"/> LESS THAN 5 YEARS | <input type="checkbox"/> 15 - 19 YEARS |
| <input type="checkbox"/> 5 - 9 YEARS | <input type="checkbox"/> 20 - 29 YEARS |
| <input type="checkbox"/> 10 - 14 YEARS | <input type="checkbox"/> 30 YEARS OR MORE |

B, current industry

- | | |
|--|---|
| <input type="checkbox"/> LESS THAN 5 YEARS | <input type="checkbox"/> 15 -19 YEARS |
| <input type="checkbox"/> 5 - 9 YEARS | <input type="checkbox"/> 20 - 29 YEARS |
| <input type="checkbox"/> 10 - 14 YEARS | <input type="checkbox"/> 30 YEARS OR MORE |

8. Current annual salary (excluding discretionary bonus)

- | | |
|---|--|
| <input type="checkbox"/> LESS THAN \$50,000 | <input type="checkbox"/> \$300,000-499,999 |
| <input type="checkbox"/> \$50,000-99,999 | <input type="checkbox"/> \$500,000-799,999 |
| <input type="checkbox"/> \$100,000-199,999 | <input type="checkbox"/> \$800,000 OR MORE |
| <input type="checkbox"/> \$200,000-299,999 | |

9. Do you plan to emigrate?

- ☐ DEFINITELY YES (please answer Section II only)
- ☐ PROBABLY YES (please answer Section II only)
- ☐ DEFINITELY NO (please answer Section III only)
- ☐ PROBABLY NO (please answer Section III only)
- ☐ HAVE ALREADY EMIGRATED BUT NOW HAVE RETURNED
HONG KONG FOR WORK ON AN OVERSEAS PASSPORT
(please answer Section IV only)
- ☐ DON'T KNOW (please answer Section II and III)

SECTION II : EMIGRATION PROFILE

1. May you decide not to migrate if

YES NO DON'T
KNOW

You are offered a higher salary

___ ___ ___

You are given better training

___ ___ ___

You are promoted

___ ___ ___

You are given more attractive
fringe benefits (eg bonus, holidays
and allowances)

___ ___ ___

2. After emigration you may return to Hong Kong for work only if (you can choose more than one item)

___ You are hired on expatriate terms

___ You are hired on better local terms

___ You are given free round-trip air tickets each year

___ You can enjoy annual leave to return home

___ Others (Please specify) _____

3. After emigration , are you willing to work in your company's overseas office?

___ YES (please skip Q4)

___ NO

___ DON'T KNOW

4. How if this is the condition under which your company promise to assist you to emigrate?

___ YES

___ STILL NO

___ DON'T KNOW

5. Will you inform your company of your intention to emigrate before you are granted permission to emigrate?

☐ YES (END OF SECTION)

☐ NO (PLEASE ANSWER Q6 & Q7)

☐ DON'T KNOW (END OF SECTION)

6. How about if your company has declared no discrimination against people going to emigrate?

☐ YES

☐ STILL NO

☐ DON'T KNOW

7. How about if your company has promised to hire you back after you returned from abroad?

☐ YES

☐ STILL NO

☐ DON'T KNOW

SECTION III: NON-EMIGRANT PROFILE

1. What keeps you in a company ? (Please rank 3 most important factors, with "1" being the most important)

☐ SALARY

☐ PROMOTION PROSPECT

☐ FRINGE BENEFITS

☐ TRAINING & DEVELOPMENT

☐ JOB RESPONSIBILITY

☐ COMPANY'S IMAGE

☐ GEOGRAPHICAL LOCATION

☐ WORKING ENVIRONMENT

☐ RELATIONS WITH COLLEAGUES

☐ OTHERS (PLEASE SPECIFY) _____

2. Other things being equal, at least how much increase in salary will it be necessary for you to change to another company?

☐ 10%

☐ 20%

☐ 30%

☐ 40%

☐ 50%

☐ Salary is not a factor of consideration here

3. Other things being equal, do you need an immediate promotion in rank in order to change to another company?

☐ YES

☐ NO

☐ Rank is not a factor of consideration here

4. Which type of training do you prefer most?

☐ Classroom training in-house

☐ Classroom training held by external organisation
(eg extramural studies or part-time programmes of local universities)

☐ On-the -job training

☐ Overseas training

☐ Others (Please specify)_____

5. Will you leave the company for better compensation or promotion prospect after you have received all the training available to you?

☐ Definitely Yes

☐ Probably Yes

☐ Definitely No

☐ Probably No

☐ Don't Know

6. Do you think you can improve relations with your colleagues by participating in more company-hold social activities?

☐ YES

☐ NO

☐ DON'T KNOW

SECTION IV : RETURNEE PROFILE

1. Are you working for the same company as you did prior to emigration?

___ YES (please answer question 2 only)

___ NO (please answer question 3 only)

2. The reason(s) : (You may choose more than one item)

___ You have had agreements with this company before you emigrated

___ You are hired on expatriate terms

___ You are hired on better local terms than before

___ You don't want to adopt to a new working environment

___ Others (please specify) _____

3. The reason(s): (You may choose more than one item)

___ The company didn't hire you back

___ The company was unable to hire you on expatriate terms

___ Another company gave you a better offer although both are on expatriate term)

___ Another company gave you a better offer although both are on local term)

___ You don't like working with your former colleagues

___ Others (please specify) _____

- THANK YOU FOR YOUR COOPERATION -

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